GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2105
ANSWERED ON:30.11.2007
HIDDEN CHARGES ON LOAN
Yadav Shri Baleshwar

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that there are some hidden conditions/charges of the bank for exter ding loan about which most of the people remain unaware; and

(b) if so, the s :eps being taken by the Government in this regard ?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE(SHRI PAWAN KUMAR BANSAL)

(a) & (b): With effect from September 1999, banks have been given the freedom to fix service charges for various types of services rendered by them. In order to ensure transparency, banks have been advised to display and update on their websites the details of various ser/ice changes, in a prescribed format.As pe` the Reserve Bank of India (RBI) guidelines on Fair Practices Code for Lenders, which are required to be framed by banks duly approved by their Boards, banks have been ac.vised that loan application forms in respect of all categories of loans, irrespective of the amount, should include information about the fees/charges, if any, payable for piocessing, the amount of such fees refundable in the case of non-acceptance of application, pre-payment options and any other matter which affects the interest of the borrower, so :.hat a meaningful comparison with that of other banks can be made and an informed decision can be taken by the borrower.RBI has also advised banks and Financial Institutions (Flu) that the terms and conditions and other caveats governing credit facilities given by banks/FIs arrived at after negotiation by lending institution and the borrower should be reduced in writing and duly certified by the authorized official. Further, banks have been advised to invariably furnish a copy of the loan agreement, along with a copy of each of all enclosures quoted in the loan agreement, to all the borrowers at the time of sanction/disbursement of loans.